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National civic federation

A refutation of false statements in propaganda...

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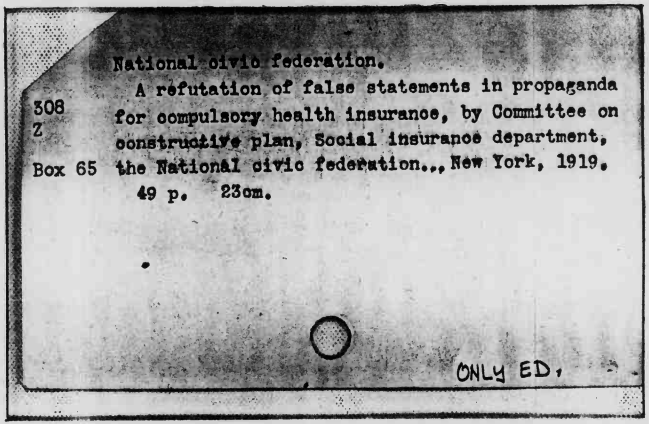

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A Refutation of False Statements

IN PROPAGANDA FOR COMPULSORY HEALTH INSURANCE

BY

Committee on Constructive Plan
Social Insurance Department
THE NATIONAL CIVIC FEDERATION

OCTOBER, 1919

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The National Civic Federation—
What It Is

The National Civic Federation is an organization created to study economic and industrial and civic problems in an impartial way and give its conclusions in connection therewith to the world.

It is positively and honestly non-partisan and unbiased. It is administered and guided by an Executive Committee which is representative of the Public, the Employee and the Employer. Among those now on the Executive Committee are the following:

For the Public: William H. Taft, former President of the United States; His Grace, James Gibbons, Cardinal, Baltimore; Bishop Joseph F. Berry, Senior Bishop M. E. Church, Philadelphia; Elihu Root, former United States Senator; Nicholas Murray Butler, President, Columbia University.

For the Employees: Samuel Gompers, President, A. F. of L.; W. G. Lee, President, Brotherhood of Railroad Trainmen; Warren S. Stone, Grand Chief, Int. Brotherhood of Locomotive Engineers; James Duncan, President, Granite Cutters Int. Assn. of Am.; John Golden, President, United Textile Workers of Am.

For the Employers: Louis A. Coolidge, Treas., United Shoe Machinery Corp.; Theodore N. Vail, Pres., Am. Tel. & Tel. Co.; Henry P. Davison, J. P. Morgan & Co.; George B. Cortelyou, Pres., Con. Gas Co.; T. Coleman du Pont.

This statement is made by the New York League for Americanism, in reprinting this booklet, solely for the purpose of recalling to the mind of every reader the facts regarding the great organization, one of the committees of which is responsible for the original issuance of this booklet.

FOREWORD

The pending movement for compulsory health insurance in this country undoubtedly obtains its principal impetus from false beliefs as to the success of the European experiments in this line of social insurance.

Back of this false basis there is a real question whether or not compulsory insurance would be the best remedy for some social evils we all acknowledge exist and for which, all agree, a remedy or remedies should be sought. That question will be considered on its merits, in the light of the truth as to foreign experience and domestic conditions, so far as now ascertainable, in a later report from a Committee on Foreign Investigation, having for its Chairman J. W. Sullivan of the American Federation of Labor, a member of the International Typographical Union.

As a preliminary, however, it is desirable to sweep aside a mass of fictions, falsifications, guesses and unwarranted assumptions which stand in the way of the search for the truth. Hence this report from the Committee on Constructive Plan whose Chairman is Dr. Alvah H. Doty. That Committee in the near future will present propositions of a positive character for legislative enactment and public health education designed to eradicate unnecessary disease and protect the worker when idle, neither of which has been covered by any insurance scheme offered so far.

In this document, claims of proponents are given in black face type and followed immediately by refutations in a contrasting light font.

WARREN S. STONE,
Chairman Social Insurance Department,
The National Civic Federation.

A Refutation of Falsifications and Unwarranted Assumptions in the Propaganda for Compulsory Health Insurance

"Practically everyone who has considered the matter recognizes that the distribution of the loss from sickness by means of insurance is desirable."

(Report of the Ohio Health and Old Age Insurance Commission, p. 159.)

This proposition asserts generally what is true only partially and asserts unconditionally what is true only conditionally.

A very large proportion of those who have studied the matter believe that it is very undesirable to distribute the loss from sickness *due to vices* by means of insurance or otherwise

And an almost equally large proportion of those who have considered the matter believe that a distribution of the loss from sickness by insurance is desirable only upon condition that such distribution be made fairly in proportion to risks and responsibility.

These distinctions are most material to the issue between compulsory and voluntary health isurance, since they call for insurance practices incompatible with any system of compulsory health insurance ever proposed in this country.

Compulsion is necessary because under voluntary insurance those who need it most are the ones who remain uninsured.

(Senator Davenport, in N. Y. Senate, April 10, 1919. Cf. "Brief for Health Insurance," American Labor Legislation Review, June, 1916, pp. 194-210.)

This proposition implies a fundamental untruth, namely, that *compulsory* sickness insurance, in contrast to *voluntary* sickness insurance, would actually provide the needed relief in sickness to *practically all* those who need it most. That compulsory sickness insurance would or could do so is to be proved by experience and not simply assumed.

The Austrian, Hugarian, Luxemburgian, Russian and Rumanian laws apply only to wage-earners in the great organized

industries—in other words, to the classes for whom it is easiest to organize insurance, and who, in Austria and Russia at least, were already quite generally voluntarily insured—leaving out casual labor in the industries covered, all the unemployed and unemployable and the great mass of the employed. It cannot seriously be contended that experience under any one of these laws shows that compulsory insurance has reached or can reach the classes which need sick relief the most.

The Dutch law, in addition to the unemployed and high paid wage-workers, exempts casual labor—the class of workers which needs relief the most;—and how far it actually provides sick relief for the other needy classes of low paid wage workers is yet unknown, because that law only went into operation in 1914.

The Norwegian law, besides the unemployed, exempts casual labor and chronic invalids; and how far it actually provides sick relief for the other needy classes of wage workers is unknown (although the law took effect in 1911), because its operations have never been critically investigated by any competent authority, so far as known to English readers.

The German compulsory law, until 1914, applied only to the regularly employed wage-earners in industries, commerce and transportation. In 1911 it was extended, to take effect in 1914, to cover also casual, itinerant and agricultural laborers and domestic servants; but how far it is successful in actually providing the needed relief to these special classes is yet unknown, the war having shut off outside observation. And the German compulsory law leaves out all the self-employed, unemployed and unemployable—the extension of the medical benefits to dependents by a few local and factory sick funds being *voluntary*.

Consequently only the British experience is left to look to for support of the assumption that compulsory sickness insurance can succeed in *supplying the needs of the most needy*. And British experience supports the opposite conclusion, as is conclusively shown by the last report of the Local Government Board for England, wherein it is stated:

> "Of the number of tuberculosis applicants at metropolitan dispensaries, 3,168 were insured, and 13,660 were not insured; and of the applicants at non-metropolitan dispensaries, or those located outside of London, 25,865 were insured, whereas 34,644 were not insured." (Hoffman, "Facts and Fallacies of Compulsory Health Insurance," p. 64.)

This is confirmed by the report of the Committee of Enquiry of the Fabian Research Department, in which it is found that the following classes were not getting sick relief:

> "The 5 to 25 per cent of insured persons who are not on any doctor's list * * * the large number of 'strays' or persons temporarily away from home or regular travelers, who fail to get the green or yellow ticket, which is supposed to secure them treatment by any panel doctor, but is not yet everywhere working; the odds and ends of insurable persons who escape insurance; to say nothing of the hundreds of thousands of hawkers and peddlers, petty craftsmen and shopkeepers whom the act excludes; and the sixteen million wives and children of the insured whose need for medical attendance it ignores. * * * *For all its vast expenditure the Insurance Act*, which comes to the aid of the artisan and the factory operative, *still leaves unprovided for a vast mass of those for whom provision is most needed.*"* (The New Statesman, March 14, 1914, Supplement.)

So all that experience indicates is that compulsory insurance would spread farther and faster than voluntary insurance, but that under either system there would still remain the great mass of the needy, who must still be provided for in some other way. So the problem is: Would it be just and socially expedient to design an expensive system of insurance for the relief of needy wage-earners which, however, could be effective only as to a minority of the most needy in the community, and impose it upon all wage-earners—the needy and the self-sufficient alike?

"The needs for the cure, financial relief and prevention of illness among wage-earners" can be met "by a comprehensive system of compulsory health insurance."

("Brief for Health Insurance," American Association for Labor Legislation, p. 211.)

This proposition asserts positively what experience demonstrates to be in part extremely doubtful and in part—i. e., so far as it relates to **prevention**—almost certainly untrue.

The following is testimony on this point by actual observers, with reference particularly to British and German experience:

> "The fundamental fact stands out paramount, that social insurance cannot remove or prevent poverty. It does not get at the

* Italics throughout are ours.

causes of social injustice. * * * The efforts of trade organizations are directed at fundamental things. * * * In attacking the health problem from the preventive and constructive side they are doing infinitely more than any health insurance law could do which provides only for relief in case of sickness, and yet the compulsory law would undermine the trade union activity. There must necessarily be a weakening of independence of spirit and virility when compulsory insurance is provided for so large a number of citizens of the State." (Samuel Gompers, Annual Meeting, The National Civic Federation, New York, Jan. 22, 1917.)

"We must always take into consideration that any forced conditions upon the workers must have a tendency to create revolt. Compulsory health insurance has not improved the working portion of the community, nor materially raised the standard of public health.

"All the more conspicuous and gratifying results in the improvement of social conditions, the lowering of the death rate, the gradual elimination of preventable diseases, etc., were secured more effectively in this country and entirely without compulsory insurance." (W. A. Appleton, Secretary, General Federation of Trade Unions of Great Britain, and Chairman of the newly organized "International," in "The Democrat," London, of July 25, 1919.)

In Mr. Appleton's "Federationist," the following appeared (March, 1919), relative to the influenza epidemic:

"The lot of the panel patient has never been a very happy one. To-day it is tragic; and, if the Insurance Commissioners are powerless to act, the Local Government Board, which is more or less concerned with hygiene and sanitation, should itself intervene. Anyone going the rounds of the surgeries in the poorer-class districts will find many of them overcrowded with patients, who have to wait two and three and four hours for attention. The immediate result is to drive the busy patient or the patient who objects to sitting in a germ-impregnated atmosphere to the chemist's shop for ready-made remedies that may or may not be suitable for their complaint. The exploitation of the panel patient is a scandal, and those responsible ought to be indicted."

The Interim Report of the Committee on Enquiry, Fabian Research Department, in 1914, relative to the operations of the British health insurance, said:

The medical service is "intolerably incomplete, intolerably wasteful and intolerably costly." "It is, on the whole, for only the minor ailments of the insured persons that medical treatment is being provided under the act." "A vast multitude who were already providing what was requisite for themselves" have been needlessly brought under the Act. About 295,000 Deposit Contributors "are taxed without getting personally hardly any of the advantages." The insurance of the casual laborers has broken down. The exaction of contributions from the poorer laborers "is abstracting from each of their bare cupboards one loaf of bread a week, thereby starving them still further into illness in order to pay for their doctoring and Sickness Benefit during the illness which the State has thus helped to create." The provisions covering pregnancy and maternity, tuberculosis and venereal diseases do not belong in the insurance scheme and should be removed. (The New Statesman, March 14, 1914, Supplement.)

Again reviewing the workings of the health insurance some three years later the organ of the Fabian Society said:

"Practically none of the fundamental drawbacks and none of the serious injustices of the scheme have been remedied." The amended act "leaves untouched both the grievances of the doctors and the still more serious failure of the Commission to supply, as the act promised, 'adequate medical treatment; * the provision of appliances and medicines is still unfairly restricted; * the practical breakdown of the campaign against tuberculosis remains unremedied; * at least half a million women of the same class as the rest are still excluded from the maternity benefit; * the 'deposit contributors' are still unprovided with anything that can be called insurance; * the economic absurdity of abstracting a loaf of bread a week from hundreds of thousands who have demonstrably not enough to live on continues unchanged; * and the Commission has failed to solve the problem of the casual laborer." "Above all stands the failure of the scheme as a measure of public health. The act has not had any appreciable effect in preventing disease, diminishing infant mortality or in encouraging hygienic ways of living." (The New Statesman, December 1, 1917.)

"In taking a broad view, the advantages of the act must not be minimized. * * * *But these benefits are all in the nature of Poor Relief under another name, and they do little to alter the conditions which bring about sickness. As far as improvement of the public health is concerned, the influence of the Act has probably been almost nil.* The medical service is no better than that which preceded it, the main change being that a certain number of persons who formerly went to infirmaries and hospital out-patient departments now go to panel doctors; sanatorium treatment has proved of little value among the working classes; the provisions intended to deal with the evils of bad housing and insanitary conditions are unworkable; and the schemes for collecting public health information are futile. Nearly all classes grumble at the act; and though the panel practitioners have benefited financially the medical profession has been split into two camps, between which much bitterness exists." ("Health and the State," Wm. A. Brend, M.D., Chap. VII.)

"The administrative machinery of the health insurance has practically deprived the numerous societies which were the agencies for the old meritorious voluntary insurance of their free self-control—that is, it has ruined them in their essential character. *The existence of the public relief under the act is drying up the sources of private and voluntary relief.* The act is not yet formulated to effect its peculiar function for social relief, and the principal sufferers from its defects are the very classes who stood most in need of that relief. The medical service provided is worse than insufficient; it is dangerous. And it is extravagantly expensive." "Final judgment must necessarily be suspended until the machinery of the system is fitted to its functions and more actuarial experience obtained. *But the present impression is most unfavorable, and the prospects are gloomy both for the taxpayers and the insured.*" (Report of Committee on Preliminary Foreign Inquiry, The National Civic Federation, 1914, p. 55.)

"There can be no doubt that the matter of certification of eligibility to sickness benefit ['sick pay'] has not worked out satisfactorily so far. An immense amount of misunderstanding and the lack of co-operation between the approved societies and the physicians has been responsible for the difficulties." (Report of the [British] National Health Insurance Joint Committee, 1913-1914. Cf. Report of Departmental Committee on Sickness Benefit Claims, 1914.)

"The National Health Insurance Act * * has not been marked by its preventive value." (Sir Arthur Newsholme, M.D., K.C.B., Former Chief Medical Officer of the Local Government Board for England, Contemporary Review, May, 1919.)

"Most of those engaged in country practice will, I am sure, bear me out when I say that the effect [of the health insurance] is not good. The Insurance Commissioners exact a weekly toll from these poor people and offer them in exchange an avowedly restricted and imperfect medical service, the medical man being warned against overprescribing and the unfortunate patient solemnly admonished not to be taken ill in the night and not to expect more than the minimum of medical attendance. The moral effect has been bad." (Dr. T. J. Fletcher, British Medical Journal, June 3, 1916.)

Not a single commendatory reference to National Health Insurance can be found in any of the reports of the Registrar Generals for all the years since the insurance took effect, nor in any of the large number of local health reports for representative cities and towns. But there is to be found a statement by the Medical Officer of Health of Rochdale, that, according to his experience: *"Health insurance as now in operation in this country is simply a gigantic fraud"*, and that, in his opinion, the people are worse doctored than ever before, and at the maxi-

mum cost of irritation. (Hoffman, "More Facts and Fallacies of Compulsory Health Insurance," p. 132.)

And the "Final Report of the British Health of Munition Workers Committee," April, 1918 (Bulletin 249 of U. S. Bureau of Labor Statistics), is equally cold towards the Health Insurance. It credits that insurance with no evidence or data bearing on sickness or the problems of health although a late report of the National Health Insurance Administration boasted that it was "accumulating data of material importance." And the recommendations of that Committee have no reference to the Health Insurance as a means for promoting health and are all as feasible without health insurance as with it.

Turning now to Germany:

In his recent book, "My Four Years in Germany" (p. 124), former Ambassador Gerard, referring to German social conditions, says:

"The workingmen are the hardest workers and probably work longer and get less out of life than any workingmen in the world. The laws so much admired and made ostensibly for their protection, such as insurance against unemployment, sickness, injury, old age, etc., are in reality skilful measures which bind them to the soil as effectively as the serfs of the Middle Ages were bound to their masters' estates."

And Price Collier, in his "Germany and the Germans," had this to say:

"It is becoming increasingly evident that the logical result of state charity (or call it state insurance to avoid controversy) over a large field and including millions of beneficiaries and claimants, is that the army of officials, the expenses of administration, and the payments themselves must sooner or later break the back of the state, morally, politically, and financially. It rapidly increases parasitism among the receivers; makes a powerful though indifferent army of state servants of the distributors; and loses financially to the state far more * * * than it gains * * *. To put it briefly, it is far more dangerous to the state to tell the individual that he shall be taken care of than to tell him that he must shift for himself. As for the effect upon the individual, it is a lowering medicine, making the patient gradually dependent upon the drug, and bringing him finally to the incurable invalidism of surly apathy. To change Patrick Henry's fiery peroration slightly: Give me liberty or in the end you give me moral and political death."

In January, 1914, a German Vice-Chancellor (Delbrück)

announced in the Reichstag: *"We are not yet out of the dark as regards the results of the existing social insurances."*

"It is from every point of view, a deplorable, though undeniable, fact that—with the natural exception of official laudations, which are of scant value—there is nowhere a trace of the enthusiasm which once greeted the new institution" [social insurance]. ("The Practical Results of Workingmen's Insurance in Germany," by Dr. Ferdinand Friedensburg, formerly President of a Senate of the German Imperial Insurance Office.)

"We [in Great Britain] adopted national insurance on the faith of such statements as these [of the success of sickness and invalidity insurance in Germany], and are now realizing our mistake. Yet the merest glance at the German vital statistics would have shown that Germany is the very last country from which we can learn lessons in Public Health or Preventive Medicine. Not only is the general death rate high and the death rate from tuberculosis excessive, but the infant mortality rate has always been very high, and between 1901 and 1910 the deaths of infants under one year of age averaged 187 per thousand births. Bad as is the British record it does not approach these appalling figures." ("Health and the State," by Wm. A. Brend, M.D., Chap. VII.)

"No greater fallacy exists to-day than the apparently widespread notion that German social legislation has had a wonderful success." "Whichever way we turn * * * and from whatever standpoint we regard German social insurance, drawbacks and serious objections are to be observed. Far from being a blessing, as the interested officials would have us believe, it is breeding a host of evils which greatly diminish, if they do not outweigh, its benefits. *The cost is tremendous, for one must include not only the expense in dollars and cents, but also the economic loss caused by the rise in the sickness rate. the prolongation in the time of healing, the diminution of the chances of recovery and the failure to work to full capacity." "The belief is growing in Germany that, as between the honest, industrious and thrifty among the working people, on the one hand, and the dishonest, lazy and shiftless on the other hand, these laws are of comparatively small benefit to the former, but in every way favor and subsidize the latter—and at the expense of the former."* ("Workmen's Accident Insurance in Germany," by Harold G. Villard, pp. 17-20.)

"I studied two years in Germany and Austria." "I had a splendid opportunity to study the practical workings of the system." "My conclusion at that time was that health insurance resulted, either in high cost to the insured, or underpay to the medical men, or inefficient service, or any two or three of these. I have had no reason to change my conclusion." ("Further Objections to Compulsory Health Insurance," by Dr. Edward H. Ochsner.)

"I studied five years in Germany." "I have seen the health insurance law of Germany working in the clinics and hospitals for several years."

"The hospitals are full of malingerers." "I can say that there is a class that fill the hospitals in Germany, the lowest and most degraded type of beggar and malingerer there is." Health insurance "is going to put a premium on malingering and a burden on the [medical] profession; for more than half the time of the physician will be engaged in trying to determine who is a malingerer and who is not." "And it is going to put a burden on the honest working man." (Dr. Harry R. Gaylord, Hearing on Davenport Bill, March 19, 1919.)

"The condition of the medical profession throughout Germany has not been materially improved, but quite to the contrary the ethical standards have been perceptibly lowered." "A vast amount of precious time and thought is wasted upon needless treatment for trivial or imaginary complaints, while treatment for serious afflictions is often grossly inadequate to the purpose of a cure." "The sickness rate among German wage-earners has not been reduced, but remains at a figure far above any corresponding conditions of ill health in this country. In many of the funds more than half the wage-earners will claim sickness and medical benefits throughout the year. Most of these benefits are, by independent inquiries, proven to be unjustifiable demands upon the funds." ("Failure of German Compulsory Health Insurance," by Frederick L. Hoffman, p. 18.)

A careful study of the various plans of Health Insurance either in operation or recommended for approval present little or no evidence that the education of the public as an important factor in the preservation of health and the prevention of disease is fully appreciated, or that if properly carried out would go far to render compulsory health insurance unnecessary. It is true that reference is made to the value of this means of maintaining health but no definite or concerted action plays a part in the measures now employed or in the plans proposed for future action. It may be added that in the Davenport Bill, reference to this modern method of disease prevention (§ 24) is exceedingly brief and offers but little hope that any extended action will be taken under the provision of this Bill to educate the classes which come under the scope of compulsory insurance.

The proper education of the public is a powerful instrument in the prevention of disease. Contrary to statements frequently made, relative to this matter, only very slow general improvement has been made in this direction. Within the past three years a careful investigation was made in New York City to ascertain to what extent the laboring classes were informed regarding health protection, while almost all who were interviewed expressed a genuine desire to know by what means

health might be preserved and disease prevented, in order to protect themselves and their families, yet very few reported that they had received any definite or satisfactory information upon the subject. It is the education of the masses which is needed to improve the health of a community rather than compulsory health insurance.

"Prevention is primarily the purpose of insurance and certainly its result."

(Public Health Bulletin, No. 76, by Warren and Sydenstricker, p. 49.)

It would be far more true to say that, "to provide jobs for political incompetents is primarily the purpose of compulsory insurance and certainly its result," for that would be at the least a half truth, whereas the assertion above is certainly wholly false.

Scientific treatises on insurance are unanimously to the effect that the function and primary purpose of insurance is to provide indemnity for losses.

As to its "result," indemnity naturally tends to produce indifference to prevention. Practical experience has revealed methods for counteracting that tendency. But whether a given system of insurance will tend to prevention or the contrary must be doubtful until demonstrated by experience. And, as has just been shown (*supra,* pp. 5-11), experience with compulsory health insurance does not demonstrate what is asserted above.

"Compulsory insurance will stimulate the needed campaign for the prevention of illness."

(Brief for Health Insurance. American Labor Legislation Review, June, 1916, p. 230.)

This is an assumption unsupported by reason or experience.

It stands to reason that it would be more difficult for the state to provide the means for an adequate campaign of prevention while its resources are being drained to support an expensive system of insurance relief.

There is not a particle of valid evidence to indicate that provision of the public means for the prevention of illness has progressed any faster in Great Britain and Germany, with compulsory insurance, than in the United States, without compulsory insurance.

Indeed, the evidence indicates that in Great Britain since the adoption of National Health Insurance (until the war) provision of hospitals, sanatoria. and other means for cure and prevention, has lagged inordinately. (Cf. The New Statesman, March 14, 1914, Supplement.)

It is true that in Germany many much-vaunted sanatoria, forest resorts, holiday colonies, etc., (cf. Public Health Bulletin No. 76, p. 61), have been set up as "side shows" to the *invalidity* insurance. But the character of these institutions has been so perverted by politics and otherwise that they are condemned as substantial means either of cure or prevention by a host of German medical authorities. ("The Future of Social Policy in Germany," by Bernard, p. 7; and cf. "The Practical Results of Workingmen's Insurance in Germany," by Friedensburg, pp. 25, 54; and "Criticism of a Tentative Draft of an Act for Health Insurance," by P. Tecumseh Sherman, pp. 44-45.)

"The last report of the National Health Insurance Administration (for 1913-14) showed that the new system was 'touching nearly every field of human endeavor' and was 'accumulating data of material importance' 'in solving social problems of reform'."

(Public Health Bulletin No. 76, by Warren and Sydenstricker, p. 61.)

The above is simply a reiteration of some of the National Health Insurance Administration's own self-laudations. The report referred to *says* what is quoted but does not *show* it. On the contrary that report is simply a mass of comments on administrative methods and problems, without any "data of material importance."

> "The Insurance Commission has a Chief Medical Officer, but he issues no medical report * * *. As far as official sources of information are concerned the public has been left entirely in the dark regarding the influence the National Insurance Act has had on the health of the people. No statistics relating to the health of insured persons have been issued by the Commissioners; no steps have been taken to provide Insurance Committees with suggestions or schedules of lectures on Public Health; and no leaflets have been issued on the care of health. * * * Though the Commissioners have issued many hundreds of circulars, orders and memoranda, not

one of these has, up to the present, borne directly upon the fundamental object of the act, viz., the prevention and cure of sickness." Even such an obvious and simple matter as prescribing a uniform system of terminology to be used by the doctors has been neglected, with the result that the medical records, even if compilated, would be almost useless. (Brend's "Health and the State." Chap. VII.)

Confirming what has just been said, the recent Health of Munition Workers Committee obtained no assistance or "data of material importance in solving social problems of reform" from the National Health Insurance, as is apparent from the absence of any reference thereto in that committee's reports. (Bulletin 249, U. S. Bureau of Labor Statistics.)

"You can cut down invalidity one half by proper sickness insurance."

(J. P. Chamberlain, before House Committee of Congress on Labor and Social Insurance and Unemployment; cited, Hoffman, "Facts and Fallacies of Compulsory Health Insurance," p. 32.)

There is absolutely no experience in the world indicating that sickness insurance can reduce invalidity, much less cut it in half.

Chiefly in consequence of social insurance, the average life expectancy of the German people increased between 1870 and 1900 from 36 to 48 years; and "vastly the larger part of the average twelve years added to a lifetime was between the ages of say 18 and about 60."

(M. M. Dawson, quoted by Hoffman, "Facts and Fallacies of Compulsory Health Insurance," p. 47. Cf. Dr. Israel Strauss, Hearing on Mills Bill, March 7, 1917.)

This proposition is a delusion.

The leading authorities are agreed, to the contrary, that during the period specified the life expectancy of Germans in the productive ages between 15 and 60 increased, not 12, but only about 1.6 years. In this respect Germany does not shine particularly in comparison with the non-insurance countries. (Hoffman's "Facts and Fallacies of Compulsory Health Insurance," pp. 47-53; Dr. George E. Tucker, Hearing on Nicoll Bill, March 26, 1918.)

And this relatively insignificant advance is also claimed as the result of other reforms in which Germany has "led the world."

Compulsory health insurance would reduce the amount of time lost by wage-earners in employments.

(James M. Lynch, Hearing on Nicoll Bill, March 26, 1918; Warren H. Pillsbury, at Commonwealth Club, San Francisco.)

This is an assertion contradicted by experience. Under compulsory sickness insurance, between 1890 and 1913, the number sick at one time, out of every 100 insured, increased, in Germany, from 36.7 to 45.6, and in Austria from 45.7 to 51.8; the average number of days "on the cash benefits" per insured member increased, in Germany from 6.19 to 9.19, and in Austria from 7.98 to 9.45; and the average number of days compensated per sick member increased, in Germany from 16.2 to 20.2, and in Austria fom 16.4 to 17.4. (Cf. Research Report No. 6, National Industrial Conference Board, 1918, p. 15; and authorities cited.) Only German and Austrian experience is cited for the reason that the statistics of no other experiences are obtainable—all the other compulsory systems, except the Hungarian and Luxemburgian, being of very recent date.

Compulsory sickness insurance providing maternity benefits, as in the Mills and Davenport Bills, is desirable to reduce infant mortality.

(Miss Mary Arnold, Hearing on Mills Bill, March 7, 1917; Miss Lillian D. Wald, Hearing on Davenport Bill, March 19, 1919.)

This is an instance of a mistaken remedy; for experience shows that such benefits are peculiarly inefficient to reduce infant mortality.

In 1914, the Interim Report of the Committee of Enquiry, Fabian Research Department, referring to the maternity benefits under the British Act, said:

"Experience has shown that it is administratively difficult to deal with pregnancy by the ordinary rules of sickness benefit or satisfactorily with confinements by an unconditional and unsupervised money grant. Moreover, the present scheme leaves some

millions of mothers outside its scope." Therefore it was recommended that the maternity benefits should be removed from the insurance, and the problem dealt with by a public medical service for all needy mothers. ("The New Statesman," March 14, 1914, Supplement, p. 29.)

This recommendation was partially followed in 1919. But in the meantime "The New Statesman," December 1, 1917, returned to the charge and published a finding that the National Health Insurance "has had no appreciable effect in diminishing infant mortality." To same effect, see Brend's "Health and the State," Ch. VII., and Report for Medical Officer of Hampshire, 1913, quoted Hoffman, "More Facts and Fallacies of Compulsory Health Insurance," p. 159.

Experience in Germany is similar. In 1910 the infantile mortality in Germany, after 27 years of health insurance, was 16.2 per cent of births, whereas in England and Wales, without any health insurance then, it was only 10.5 per cent, and in Massachusetts, in 1913, it was only 11 per cent. (Hoffman's "Facts and Fallacies of Compulsory Health Insurance," p. 41.)

Experience in Australasia confirms this British and German experience.

In Australia a maternity bonus has been paid since 1912, aggregating £662,035 in 1916, and although it was generally accepted, 36% of all births were unattended by a physician, and, in the five years 1911-1915 inclusive, the infantile mortality was but slightly reduced, falling only from 68.49 per thousand births in 1911 to 67.52 in 1915. In New Zealand, on the other hand, in the same period, the infantile death rate fell from 56.31 per thousand births to 50.05—the lowest infant mortality rate in the world. This reduction was due to a vigorous campaign of public health education and the establishment of women's and children's hospitals, without insurance or any money payments. An Australian Commission, studying the problem, has recently reported in favor of the adoption of the New Zealand system. (Research Report No. 6, National Industrial Conference Board, pp. 17-18.)

Compulsory sickness insurance, along the lines of the Mills Bill, would provide corrective medical treatment for youthful defectives.

(Dr. Israel Strauss, Hearing on Mills Bill, March 7, 1917.)

It would not. It would insure only against the risks of future sickness.

Neither the British health insurance nor any of the European sickness insurance laws undertakes to cure old physical defects and infirmities (cf. *infra*, p. 29).

"Just as employers have installed safeguards for dangerous machinery, in order to reduce the cost of workmen's compensation, so in order to reduce the cost of health insurance they will supply, for instance, better sanitation, ventilation and lighting, more physiological hours of labor and fuller consideration for the special needs of women and children."

(Prof. Irving Fisher, quoted by Hoffman, "More Facts and Fallacies of Compulsory Health Insurance," p. 46.)

This is an assumption unsupported by reason and contradicted by experience.

The accident compensation liability incites employers to safeguard machinery, etc., for the reason that the relation between accidents and their causes is generally direct and clear, whereas the relation between employees' illnesses and such matters as general sanitation, ventilation, lighting, etc., are generally so remote as to be practically imperceptible to the lay mind. Moreover, under the accident compensation laws generally, each employer is individually liable for the accidents in his employment only, and can secure a prompt credit in his insurance premium rates by needed expenditures for accident prevention, whereas under health insurance laws generally nothing that an individual employer may do to improve the sanitary conditions in his employment will have any immediate or certain effect upon his contribution rate. It is true that some of the governmental health insurance laws contain provisions to penalize employers for exceptionally insanitary conditions; but such provisions are dead letters (see Brend's "Health and the State," Chap. VII.).

"Health insurance is not a measure for prevention, because it hides and does not disclose responsibility. To make any progress in preventive work you must first fix the responsibility and then

assess it." ("The Fallacious Philosophy of Health Insurance," by Frank F. Dresser.)

As to experience, the evidence is plentiful that the accident compensation liability has aroused employers to vigorous and expensive efforts for accident prevention, whereas there is not a particle of evidence that compulsory health insurance has ever had any such effect. (Cf. Hoffman's "More Facts and Fallacies of Compulsory Health Insurance," p. 46.)

"The same principle was applied to accidents in the Workmen's Compensation Act that Health Insurance seeks to apply to sickness."

(Senator Davenport, in N. Y. Senate, April 10, 1919.)

This is a most incorrect assertion.

Workmen's compensation is merely a new form of an age-old legal liability of employers, based upon a juridical principle (known throughout Europe as the principle of "trade risk") which requires proof of a causal connection between the employment and the injury as a condition to liability, whereas health insurance, in the form proposed in the Davenport Bill, would impose upon employers collectively an entirely novel liability for half the cost of relieving certain misfortunes of employees collectively, regardless of causation.

There is no analogy between workmen's compensation and compulsory insurance in respect to prevention. An accident affects one individual or at most a limited number. Sickness, on the other hand, particularly in its communicable forms, is carried from one to the many and may involve a large part of the community. As such it is a matter for health officers and not for insurance.

Compulsory insurance would reduce the public expense for poor relief.

(Warren H. Pillsbury, at Commonwealth Club, San Francisco.)

This statement miscolors a partial truth to serve as a bait to attract taxpayers to support compulsory insurance. In practical experience compulsory health insurance has never resulted in any relative reduction in appropriations for direct poor relief.

In Germany "expenditures for the poor have increased

almost everywhere, both as regards the number of those who are supported and as regards the degree of support which is given individual cases." (Zahn, quoted by Friedensburg, in "The Practical Results of Workingmen's Insurance in Germany," p. 58; and cf. "Facts and Fallacies of Compulsory Health Insurance," by F. L. Hoffman, p. 68.)

As to Great Britain: "It is significant that we have not been able to ascertain that any diminution whatever has yet been noticed in the number of those resorting to the Poor Law." (The New Statesman, March 14, 1914, Supplement.)

The part truth in this statement is that, although compulsory health insurance increases the demand for poor relief, yet it does provide relief for some proportion of those who, in sickness, would otherwise depend upon out and out poor relief. But that proportion is not large.

> "Our investigations in Chicago show* that a large percentage of the cases of poverty caused or accompanied by sickness would not be avoided by compulsory health insurance of the kind that has been proposed. They show, also, that it would not prevent as much as a fourth of the cases of dependency upon charitable agencies for material relief." (Report of the Illinois Health Commission, p. 165.)

Public city planning and home building "together with the enactment of many kinds of social insurance * * * so completely changed the condition of the workers that (before the present war broke out) in many European countries poverty was being rapidly diminished, and in one country at least it has practically disappeared."

(Thomas A. M. Kane, "Catholic Charities Review," September, 1917, p. 208.)

That European paradise wherein "poverty has practically disappeared" is merely a figment of the author's imagination, there being nothing real in Europe even approximately corresponding to it. As Harold Begbie, of the *London Chronicle*, wrote, while on a visit to America, referring to comparative conditions in Europe and America: "There is nothing here, absolutely nothing, to compare with the most shocking and ubiquitous poverty of Europe."

If Germany be the country meant, the error is colossal. In Germany the working people worked longer and for less wages

than in any other of the great industrial countries (see Gerard, cited, *supra,* p. 10). The number of women and particularly of married women forced to earn their livelihood was inordinately high and was increasing inordinately (Villard, "Workmen's Accident Insurance in Germany," pp. 7-8). And overcrowding in tenements, and particularly in rear and unimproved tenements, was excessive and rapidly increasing in industrial centers. (Cf. Tucker, "Compulsory Health Insurance," p. 6; also "Report of American Federation of Labor Representatives at Congress of International Federation of Trades Unions, Zurich, Switzerland, September 1913," by G. W. Perkins, President Cigarmakers' International Union.)

"Compulsory insurance would reduce the public expense for insane asylums, prisons and reformatories."

(Warren H. Pillsbury, at Commonwealth Club of San Francisco.)

This is a pure assumption without a particle of evidence to support it.

Notoriously insanity has increased inordinately in Germany while compulsory health insurance has been in effect. And in Great Britain it is a bitter grievance of the "Approved Societies" that the benefits for diseases due to vices are draining their funds, unchecked by the panel doctors; (see Report of Departmental Committee on Sickness Benefit Claims, 1914).

Against Mr. Pillsbury's "guess" deserves to be cited the opinion of an actual observer of the operations of compulsory health insurance in Germany, Dr. Ochsner, that such insurance would encourage drug taking, immorality and vice." ("Further Objections to Compulsory Health Insurance," p. 7.)

"It was the result of the study of an English Royal Commission of Health Insurance in other parts of Europe that led Lloyd George to put this system in operation in England in 1911."

(Senator Davenport, in the New York Senate, April 10, 1919.)

There was no Royal Commission or Departmental Committee to investigate the value of National Health Insurance, nor any public report or opinion from the medical authorities or organizations. The only thing in the nature of an investigation was a flying trip by Lloyd George personally to Germany. The National Insurance Act was indirectly the outcome of the Report of a Royal Commission on the Poor Laws; but such report did not recommend National Insurance nor anything like it. (See "Health and the State," by William A. Brend. Ch. VII.)

"Today universal workmen's health insurance is established in not fewer than ten of the leading continental countries" [of Europe].

(John B. Andrews, Bulletin 212, U. S. Bureau of Labor Statistics, p. 550. Cf. map fronting title page, "Brief for Health Insurance.")

This is a gross exaggeration.

Only three European sickness insurance laws (those of Germany, Great Britain and Norway) are even approximately universal as to "wage-workers." They all exclude many "workmen," and the Norwegian law many "wage-workers."

The Dutch law comes next; but it applies only to low-paid wage-workers and leaves out all casual labor and domestic servants.

In Luxemburg 37,500 wage earners are compulsorily insured out of a population of 260,000 (1910).

The Austrian insurance comes next, covering about 3,340,000 out of about 10,000,000 wage earners and a total population of 27,800,000 ("Die Sozialversicherungs in Europa; Beitrag des Reichversicherungsamts, January, 1913").

Under the Hungarian law, in 1909, about 900,000 persons were insured out of a population of 21,000,000 (id.).

Under the Roumanian law, in 1911, about 140,000 persons were supposed to be insured out of a notoriously impoverished population of about 7,000,000 (id.).

Under the Russian law, just before the outbreak of the war, about 1,394,000 persons were insured in European Russia (Finland, where insurance is voluntary, excluded) and the Caucasus, out of a population of about 145,000,000. (London Times Russian Supplement, July 27, 1914.)

In Serbia, though a sickness insurance law was enacted in

1910, it can hardly be said to be "established," since there is no record of its ever having been put into actual effect.

This is a complete list of the European countries—continental and non-continental—in which compulsory health insurance prevails. There are 10 altogether, and in 7 of them, the insurance, so far from being universal, provides protection for only minorities—and in some cases only insignificant minorities —of the working people.

A word must be said about the deceptiveness of the map above referred to. That is a map of Europe on which the compulsory insurance countries are marked in red, and in the text (p. 138) it is stated in heavy type that: "All the laws cover practically all low-paid wage-workers." With all Russia (Finland wrongly included) marked red, the map looks "all red," conveying the grossly false impression that "practically all the low-paid wage-workers" in far the greater part of the territory of Europe are protected by compulsory sickness insurance. The reality, as above shown, is far different. What makes the map all the more deceptive is that in Denmark. in 1914, 30% of the population were *voluntarily* insured against sickness, as against 12.9% in Austria (1910), 4.3% in Hungary (1909), 2% in Roumania (1911), and about 1% in Russia (1914), *compulsorily* insured.

"This system [that of the Davenport Bill] is used all over Europe."

(Senator Davenport, N. Y. Senate, April 10, 1919.)

This sweeping assertion implies a world of untruth.

Compulsory health insurance is not used at all in Denmark, Spain, Portugal or Greece, not to mention Bulgaria and Turkey—the obligation in Denmark imposed upon employers of insuring against sickness such seasonal alien laborers as they import, hardly belonging in the domain of social insurance.

Compulsory *sickness* insurance is not used at all in Sweden, Belgium or outside of several Cantons in Switzerland. And in France it is applied only to seamen. miners, and railroad employees, and in Italy to railroad employees and maternity cases in some industries.

Then there are many different systems of compulsory sick-

ness insurance, all of which differ radically from "this" Davenport system in vital features:—

Unlike the Davenport system, the insured have only a very limited or no choice of the doctor under the German, Austrian, Hungarian and Russian systems.

Unlike the Davenport system. the medical benefits are administered by distinct public authorities and not by the "sick funds" under the British system.

Unlike the Davenport system, no medical benefit is provided under the Dutch system. or under the British system in Ireland.

Unlike the Davenport system, every insured workman has the right to choose his "sick fund" under the British, Norwegian, and Dutch systems.

Unlike the Davenport system. a doctor called on *must* serve, at the charges fixed by the Government, under the Norwegian system.

Unlike the Davenport system, "invalidity insurance" is combined with "sickness insurance" under the British system.

Unlike the Davenport system, contributions and benefits are generally "flat," without variation for differences in wages, under the British system.

Unlike the Davenport system, illnesses due to pre-existing infirmities and chronic invalids are or may be excluded under the Austrian and Norwegian systems.

Unlike the Davenport system, casual laborers or short-time employments are excluded under the majority of the other systems.

Unlike the Davenport system, persons earning to exceed a very low rate of wages are exempted under the majority of the other systems.

And so on as to every other feature of the Davenport system.

The fact is that there is no health insurance closely resembling the Davenport system in use anywhere.

The Standard Bill "combines the features pronounced best by the practical experience of Europe."

(John B. Andrews, Bulletin 212, U. S. Bureau of Labor Statistics, p. 552.)

Everyone is entitled to express his own individual conclusions from European experience. But this pronouncement im-

plies some such misleading notion as that the Standard Bill follows the latest European precedents (framed in the light of experience) or that it follows a well-defined majority opinion as to the lessons of experience.

Neither of these notions is true. The partisans of compulsory insurance are hopelessly divided in opinions as to methods and means. For instance, at the latest International Social Insurance Conferences the majority opinion seems to have been that the insured should have a choice of insurance carriers —in other words that some insurance should be required, but that all existing insurance institutions should be preserved and that each insured person should be free to choose his insurance to suit his individual needs and preferences (cf. Bulletin des Assurances Sociales (Report of Brussels Conference; also March, 1913, p. 31); "Verbindung staatlischer Zwangsversicherung und freier Privatversicherung," address by Dr. Bielefeldt, at International Congress on Social Insurance, Dresden, 1911; "Der Reichsversicherungszwang * * * und die Thesen des Herrn Dr. Zacher," by Robert Piloty, 1910; "Soziale Versicherung der Selbstaendigen," by Robert Piloty, 1912.) And this feature—free choice of insurance carier—was adopted in the Norwegian law (1909), the British law (1911), the recent Dutch law (1913), and the project for a compulsory health insurance law being pushed in Belgium at the outbreak of the war. Only the Russian law (1912) adopted a uniform bureaucratic system of insurance carriers like that to be found in the Standard Bill.

As to other features, the extension of the law (the classes subjected to compulsion), the question of whether or not there should be a medical benefit, and, if such a benefit, how it should be provided and controlled, the distribution of the cost, the question whether contributions and benefits should be level or proportionate to earnings or contributions respectively, etc., etc., both the sickness insurance laws and the opinions of the partisans of compulsion are hopelessly at variance.

Moreover, the German law, for example, contains special provisions regulating the insurance for agricultural laborers, domestic servants, casual employments, itinerant trades and home-working industries, whereas the British law leaves the modifications requisite to adapt the insurance to these special occupations to the discretion of the Insurance Commission. In application to these special occupations the British insurance has notoriously broken down (cf. The New Statesman, cited and

quoted *supra*); whereas experience of the operations of the special provisions of the German law in question (which took effect January 1, 1914) has been shut off from our observation by the war. Consequently it cannot truly be said that the feature of the Standard Bill leaving the special regulations for the occupations above mentioned (or such of them as are covered) to the discretion of a political commission has been "pronounced best by the practical experience of Europe."

"Health insurance on a compulsory basis is in force in Great Britain, Norway and Switzerland, and is equally successful in all those countries."

(M. M. Dawson, Hearing on Nicoll Bill, March 26, 1918.)

Health insurance is in force in Great Britain, but the evidence as to its success, is, to say the least, doubtful and conflicting (see, *supra*, pp. 5-9).

Sickness insurance in Norway went into effect July 1, 1911. No critical study of its operation has yet been published—in the English language, at least—and real evidence of either its success or failure is entirely lacking.

Health insurance in Switzerland, except in one or two Cantons, is voluntary. Since the Swiss system did not take effect until well into 1914, when normal operations were promptly disturbed by the war, there is as yet no evidence accumulated to show that it is successful or otherwise, either in its voluntary or compulsory form.

All these laws are experiments and in a very early experimental stage; and it is absurd to claim the results in advance.

At this very time "the health insurance law of Sweden has just been enacted and has gone into effect in the middle of this war."

(Miles M. Dawson, Hearing on Nicoll Bill, March 26, 1918.)

"Right in the midst of the war one of the countries of Europe adopted its health insurance law."

(Miles M. Dawson, Hearing on Davenport Bill, March 19, 1919.)

Either Mr. Dawson has been incorrectly reported or these are serious errors.

The Swedish "sickness insurance" law (both the Nicoll and Davenport Bills were for "sickness insurance") is *voluntary*. The Swedish old age and invalidity insurance law, which is compulsory, was enacted some years before the war, and took effect January 1, 1914.

No European country "adopted" a health insurance law "in the midst of the war," unless the Russian Bolsheviki have gone through the form of doing so. The Dutch sickness and invalidity insurance laws, which were being put into effect just before the outbreak of the war, were adopted in 1913. And the Norwegian Sickness Insurance Law of 1916 was merely a codification of laws of 1909 and 1911, with only a few material changes.

"Health insurance has existed in England since 1911, and it was found sufficiently beneficial to warrant extending its scope."

(Senator Davenport, in N. Y. Senate, April 10, 1919.)

The scope of the British health insurance has never been extended. What probably misled Senator Davenport was the recommendation in the "Report of the Insurance Acts Committee, British Medical Association, 1917," that the medical benefits actually provided—which are very inadequate and much below what is promised in the law—should be made more adequate. But even this *recommendation*, which involves no extension in the scope of the insurance, has never been carried out.

"You couldn't get either capital or labor in the realm of England to give up this health insurance."

(Senator Davenport, in N. Y. Senate, April 10, 1919.)

This is a rhetorical assertion based upon pure assumptions.

The English health insurance differs radically from "this health insurance"—i. e., the system of health insurance proposed in the Davenport Bill—in the particular, among others, that it is paid for about 4/11ths by the state and 3/11ths by employers, leaving the insured employees to pay only 4/11ths. Because they are getting for 4d. per week insurance that costs 11d., the majority of the British working people probably would be reluctant to give up the health insurance. Instead they seem to be

demanding that the medical benefits originally promised them for 4d. per week be provided them for 4d.—which benefits are now only about half provided and to provide which in full would probably double the state's contribution, so that the working people would get for 4d. insurance costing 15d. But there seems to be at least a minority of thoughtful English working people who wish the whole scheme discarded, or at least that it had never been adopted (see quotation from W. A. Appleton, *supra*, p. 6).

As to English employers, the known attitude of many of them towards the insurance is simply one of patient endurance of a political imposition; and it is a "safe bet" that the majority of them would be glad to give it up.

"One of the first things put out at the Peace Conference was a request that among the earliest things undertaken would be the extension of social insurance throughout the States of the Allies."

(M. M. Dawson, Hearing on Davenport Bill, March 19, 1919.)

This statement is artful. The speaker omitted to specify that the proposal referred to was made by *Germany*, with obviously selfish motives, and rejected by the Allies, without thanks.

Compulsory health insurance is approved of by "every scientific student of the subject in the world" and also by "all the civilized nations of the world except the United States."

(Chester H. Rowell, Commonwealth Club of San Francisco, 1917, quoted by Hoffman, "More Facts and Fallacies of Compulsory Health Insurance," p. 43; and cf. Thos. M. Gafney, Hearing on Nicoll Bill, March 26, 1918.)

This statement is absurd.

Compulsory sickness insurance has not been generally in favor in France, Italy, Denmark, Sweden, Belgium, Spain, Portugal, Canada, New Zealand, Australia or South Africa, nor in any country in South America.

And there is a host of scientific students of the subject opposed to compulsory health insurance, among whom may be mentioned Maurice Bellom and Colson, in France; Hilaire Belloc and Brend, in Great Britain; Bernhard and the large number of medical men he cites, in Germany; and Taussig, Hadley and Hoffman in the United States.

(For an explanation of the why and wherefore of the louder noise made by the European proponents of compulsory insurance, see "Criticism of a Tentative Draft of an Act for Health Insurance," by P. Tecumseh Sherman, pp. 10-11.)

"Most of the ammunition in opposition to compulsory health insurance has been furnished by the commercial insurance interests."

(James M. Lynch, 1919.)

This is a malicious untruth, designed to excite the prejudice of the ignorant.

Most of "such" ammunition is derived from impartial official publications, from the "Bulletin des Assurances Sociales." from the Report of the Committee on Preliminary Foreign Inquiry of The National Civic Federation, from disinterested writers such as Brend, Price Collier, Bellom, etc., and from journals such as The New Statesman.

"In the governmental and co-operative systems of Great Britain and Germany all workers in all industries and all occupations are insured and receive the benefits."

(Public Health Bulletin No. 76, by Warren and Sydenstricker, p. 54.)

As to Germany, this is an assumption without evidence; as to Great Britain, it is a wanton misrepresentation.

In Germany the sickness insurance law was not extended to cover domestic servants, agricultural labor and the itinerant trades until in 1911, and then only to take effect in 1914. The extended provisions were just being put into effect when the war broke out and prevented thereafter both normal operations and foreign observation of what operations there were. It still remains to be found out how far these new classes are *actually* insured and how far they *actually* obtain the promised benefits. The authors of Public Health Bulletin No. 76, however, are not

content to wait to find out the truth. They simply assume that to be true which they want to be true.

In Great Britain there are some *millions* of "workers" not covered by the National Health Insurance (see Report of the Committee on Preliminary Foreign Inquiry, The National Civic Federation, pp. 3-4). And large numbers of the insured—"deposit contributors" and casual laborers notoriously—are not getting the benefits; ("The New Statesman," March 14, 1914; December 1, 1917).

"Compulsory insurance * * eliminates by its universality dangers of adverse selection."

(John B. Andrews, Bulletin 212, U. S. Bureau of Labor Statistics, p. 252. Cf. "Sixth Report, Committee on Health, N. Y. State Federation of Labor," 1919.)

Compulsory insurance may reduce but does *not* eliminate adverse selection.

Even where, as in the German "local funds," adverse selection is not permitted by the law, the funds are protected in practice against bad risks and chronic invalids "by the unwillingness of employers to engage them"; ("Social Insurance in Germany," by W. Harbutt Dawson, p. 32).

But many of the health insurance laws recognize the injustice of compelling the healthy, moral and industrious working people to pay for the sicknesses of the chronic invalids, the vicious and the habitual malingerers, and permit adverse selection in some form or other. Thus the British Act (§30 (2)) permits Approved Societies to admit or reject any applicant except on account of age—rejected applicants being relegated to the position of "deposit contributors," each of whom must pay his own way. The Norwegian law permits the insurance carrier to reject chronic invalids altogether. And the Austrian law excludes their chronic illnesses from the coverage of the insurance. And nearly all the laws permit expulsions.

"Under compulsory insurance there would be no lapses."

(Prof. Irving Fisher, quoted by Hoffman, "More Facts and Fallacies of Compulsory Health Insurance," p. 46.)

There would be worse than "lapses"—there would be "forfeitures."

In Great Britain it is a subject of complaint that the Approved Societies expel members, thereby forfeiting their insurance, without due cause; ("The New Statesman," March 14, 1914, Supplement, p. 20).

And under the Standard Bill an insured person, upon quitting the state or ceasing to be employed, would forfeit his insurance of the funeral benefit.

"Experience has shown that there is a much higher degree of efficiency in management, and at much less cost, in governmental than in private health insurance plans."

(Public Health Bulletin No. 76, by Warren and Sydenstricker, p. 67.)

This is a reckless assertion, the falsity of which is exposed by the fact that there are now in America thousands of soldiers and sailors who are surrendering invalidity and life insurance on satisfactory terms (under Act No. 90, U. S. Public Acts of 1917), because of grossly inefficient and wholly unsatisfactory "governmental management."

It is true that many governmental insurance schemes make claims for low cost—far below anything attained by private enterprise. But the deception in those claims was long ago exposed by Dr. Manes, a German social insurance authority, in the Zeitschrift für Versicherings Wissenschaft, for May, 1912:

> "The opinion is nowadays commonly heard expressed that private insurance invariably conducts its business more expensively than social insurance. This, however, is true only in a relative way—for just as there are individual private insurance enterprises whose administration costs are higher than those of many publicly organized institutions, so also it is possible to adduce statistical material to demonstrate the opposite conditions. It is almost without exception forgotten * * * to take into account the high, concealed costs of social insurance. Those only are looked upon as administration expenses of social insurance which appear in the budgets of the insurance organizations and not at all those large sums which as a result of social insurance either burden the financial operations and accounts of other state departments, or by reason of the relief given from postal charges and other dues and like privileges represent a loss of receipts to those departments."

It is by ignoring its high ***concealed costs*** that governmental insurance makes a deceptive showing of economy; whereas private insurance, under governmental regulation, has to report truly *all* its costs. With the same system of accounting applied alike to both kinds of insurance, there would be a very different comparison, as will be shown later (*infra*, pp. 32-34).

And that governmental management is not efficient in providing good medical benefits promptly, in checking impositions on the funds, etc., etc., is abundantly shown by the evidence elsewhere in this paper; (see *supra*, pp. 6-8, and, *infra*, pp. 38-40).

That the British health insurance is not deemed efficient and of low cost by the intelligent and well-informed is indicated by experience with the "voluntary contributors." Some 2,000,000 adult working people—the self-employed and the highly paid—have not been brought under the Health Insurance by compulsion, but have been invited and urged to come in and offered for 7d. per week insurance now costing 11d. It was estimated in advance that 800,000 of them would accept. But in fact, according to the figures given out by the insurance administration, only a little over 20,000 have come in, the remainder apparently concluding that the insurance is not worth the cost.

"The cost of voluntary insurance is high because of the expense of solicitation, of administration and of profits, whereas a compulsory plan can insure all automatically and enables the business to be conducted at a lower cost of administration."

(Report of the Ohio Health and Old Age Insurance Commission, p. 159.)

To any one who has observed the tremendous, complex and extravagant governmental machinery of administration of health insurance abroad it is simply preposterous to describe the operation of that insurance as "automatic"; (see Sidney Webb, quoted *infra*, p. 34, and Price Collier, quoted *supra*, p. 10).

Voluntary insurance in mutual funds involves no expense for "profits." The only item of expense in such voluntary insurance not common to compulsory insurance is that of "solicitation." And the saving of solicitation expenses by compulsion is offset by the expense of the administrative machinery required for compulsion.

The figures of premiums received and losses paid during various periods show that American 'industrial' or health insurance companies retain more than half the premiums received for expenses and profits.

(Report of Social Insurance Commission of California, 1919, p. 121. Majority Report of the Massachusetts Special Commission on Social Insurance, 1917, quoted in Report of Massachusetts Special Commission on Social Insurance, 1918, pp. 29-30. Report of New Jersey Commission on Old Age, Insurance and Pensions, 1917, p. 13.)

This is a misuse of figures that reflects seriously upon either the fairness or the competency of the authors of these reports. For the difference between premiums received and losses paid during a given period does *not* measure the expenses and profits for that period. There must first be deducted from the "premiums received" the amount thereof received for insurance extending beyond the period covered and there must be added to the "losses paid" the amount of losses suffered during such period and yet to be paid (generally set aside in special reserves). This particular method of misrepresentation was thoroughly exposed in the Report of the Second Massachusetts Commission, 1918 (pp. 29-31).

"The expense of administering the German sickness insurance is only about five per cent of the receipts."

("Brief for Health Insurance." The American Labor Legislation Review, June 1916, p. 211. M. M. Dawson, Hearing on Nicoll Bill, March 21, 1918.)

This contention is based upon a falsification originating in and propagated by the Imperial German Insurance office.

The truth is that it is only a *small part* of the expenses of administering the German sickness insurance — i. e., *that part which is paid out of the contributions* — which averages about 5% of the contributions (8% in the "local funds" and 1% in the "establishment funds"); whereas the major part of the expenses of administration—the part borne by the employers and the state is *concealed;* (see comment by Dr. Manes, *supra,* p. 30). There is, therefore, no means of knowing whether the German insurance is economically administered or not, since the total expense of administration is an absolutely unknown percentage

of contributions or of benefits. But judging from the multitude of the onerous duties imposed upon employers and from the magnitude of the bureaucracy employed in the work of social insurance by the state (cf. quotation from Price Collier, *supra,* p. 10), the probabilities are that the German sickness insurance is very thoroughly and *expensively* administered. The expense ratio may be *guessed* variously, but since the exposure above explained there is no evidence left to support a contention that it is any nearer 5% than 50%. (See "Criticism of a Tentative Draft of an Act for Health Insurance," by P. Tecumseh Sherman, pp. 28-31.)

But even all the items of expense above enumerated do not cover all the "economic waste." The doctors employed by the sick funds have two lines of duties, first to determine the right to sick pay and to make reports for the purposes of claim control and statistics, and, secondly, to treat diseases. Over half of the time of the doctors is occupied by the first of these lines of duties, and consequently half their charges should be allocated to "administrative expense" rather than to "benefits." This item of economic waste, however, is common to all *insured* medical benefits.

"Local administration in the Leipsig sick fund costs less than ten per cent of the total expenditure, whereas in this country the dollar-a-month sick insurance, as operated by stock companies, is at an average administrative cost of about sixty per cent."

(J. B. Andrews, Bulletin 212, U. S. Bureau of Labor Statistics, p. 552.)

This is simply a variation of the preceding misstatement. The percentages given are probably correct as to those administration expenses in the Leipsig funds *paid out of the sick funds.* But in addition, as has just been explained (*supra,* p. 32), there is the heavy cost of administration borne by employers and the state. That the total is less than 60% of expenditures may be guessed but there is no evidence to prove it.

In this connection it should be noted that it is the *Leipsig* sick fund (or more correctly the Leipsig federation of sick funds) which is always cited as typical of the German sick funds (cf. "Brief for Health Insurance," American Labor Legis-

lation Review, June, 1916, p. 123) and held up for comparison with the worst specimens of sickness insurance that can be found in America. This is like selecting a top apple from one barrel of apples and comparing it with the rottenest apple to be found in another barrel. The Leipsig funds are the best of their type in Germany, and away above the average. And even they have their seamy side, which the American proponents of compulsory insurance try to hide; (see "Failure of German Compulsory Health Insurance—A War Revelation," by F. L. Hoffman, p. 12).

"In Great Britain the administrative cost of the compulsory health insurance law is but fourteen per cent of the receipts, whereas the societies which collect from house to house small premiums for burial insurance spend thirty-seven per cent of their total income for management."

("Brief for Health Insurance," American Labor Legislation Review, June, 1916, p. 240.)

This is another deceptive comparison. The 37% expense, above cited, includes *all* the cost of collection. whereas the 14% expense excludes the greater part of it. The total administrative cost of the badly skimped administration of the British Health Insurance (badly skimped by political regulation so far as the Approved Societies are concerned. whereas the Government's part in administration is rather extravagant though inefficient) is about 14% of contributions, *plus the cost of collection borne by the employers.* That this ignored item of cost is heavy is indicated by Sidney Webb's opinion. He says:

> "Regarded as a means of raising revenue, compulsory insurance of all the wage-earning population, with its elaborate paraphernalia of weekly deductions, its array of cards and stamps, its gigantic membership catalogue, its inevitable machinery of identification and protection against fraud, involving not only a *vast and perpetual trouble for each employer,* but also the appointment of an extraordinarily expensive civil service staff, is, compared with all other taxes, *almost ludicrously expensive to all concerned.*" And he goes on to estimate that the true aggregate cost of collection would amount to between 20% and 25% of the revenue raised. ("The Prevention of Destitution," by Sidney Webb, p. 170.)

At least half of this cost of collection should be added to 14% to get the true expense ratio in Great Britain.

The benefits under the Standard Bill would cost not more than four per cent of the payrolls.

(John B. Andrews, Bulletin 212, U. S. Bureau of Labor Statistics, p. 552; cf. "Standards of Health Insurance," by I. M. Rubinow.)

The net cost of health insurance [the system considered by the first California Commission] would, in its entirety, be three per cent of wages.

(I. M. Rubinow, Bulletin 212, U. S. Bureau of Labor Statistics, p. 564.)

The benefits under the Nicoll Bill would cost four per cent of wages up to $12 per week.

(M. M. Dawson, Hearing on Nicoll Bill, March 26, 1918.)

The benefits under the amended Davenport Bill would cost three per cent of the payrolls.

Senator Davenport, in N. Y. Senate, April 10, 1919.)

These are undoubtedly honest actuarial guesses; but it is wrong to present them as estimates of any real value, for the reason that anything like the exact cost of the benefits under any of these bills is, under existing conditions, hopelessly unascertainable. German sickness insurance experience furnishes no reasonable basis for close estimates, because the benefits, the conditions to benefits, the systems of claim control and the entire social conditions, are radically different; (cf. Hoffman, "Facts and Fallacies of Compulsory Health Insurance," p. 60). A similar actuarial attempt to estimate in advance the cost of a health insurance measure, is shown by experience in Great Britain to have been a gross and disastrous underestimate; for, even after cutting the promised medical benefits in half, their cost still largely exceeds the estimate. And the British experience affords no basis for an estimate of cost, for the reason that the cost of the National Health Insurance, on the one hand, covers both sickness and invalidity benefits, and, on the other hand, provides only a grossly inadequate medical service.

One thing only experience makes certain, namely, that to keep the rate of contributions within the bounds of endurance,

the conditions to the right to lay off and draw sick pay must be so severe, and the medical, surgical, hospital and nursing service and the supplies and appliances provided must be so limited, as to cause much popular disappointment.

A private establishment near Albany has long provided its employees higher sick benefits than those under the Davenport Bill for three per cent of payroll. Therefore the benefits under the Davenport Bill could be provided by the insurance system therein proposed at three per cent of payrolls.

(Senator Davenport, in N. Y. Senate, April 10, 1919.)

This is a nonsequitur.

The cost experience of a single private establishment, with a select force, and without political interference as to choice and payment of doctors, determination of rights to benefits, etc., is no criterion at all of the average cost under a general political scheme such as proposed in the Davenport Bill.

Compulsory Health Insurance "will cost pretty nearly two-thirds as much as it does now."

(Chester H. Rowell, at Commonwealth Club of San Francisco; quoted Hoffman, "More Facts and Fallacies of Compulsory Health Insurance," p. 45.)

This is a pure assumption.

On the contrary it is very probable that in Great Britain people can get for 7d. a week private health insurance that is just as good as the political insurance costing 11d. per week (see *supra*, p. 31), and that a similar increase in the cost of sickness insurance without any equivalent increase in benefits would be the result of compulsion here.

Under the Nicoll Bill the appropriation for the state's share in administration 'would possibly be $100,000, perhaps some more'.

(James M. Lynch. Hearing on the Nicoll Bill. March 26, 1918.)

This estimate is pure guesswork, without regard for experience. All experience indicates strongly that the state's share

of the annual expense of administration would be, not "$100,000 and *possibly* some more," but $1,000,000 *and* more.

The German Government's expense in connection with sickness insurance is unknown. But the British Government's experience gives some basis for calculation.

The British Government's appropriations for administration expense of the National Health Insurance for the year ending March 31, 1915 (Report of Committee on Preliminary Foreign Inquiry, National Civic Federation, pp. 15-16) amounted to £927,000, or about $4,450,000. The British Act applied to about 14,000,000 wage earners, whereas the Nicoll Bill would have applied to over 3,000,000 employees, with some medical benefits also for their dependents. Therefore New York State's probable expense of administration under the Nicoll Bill would be at least $950,000 a year, plus whatever additional expense might be entailed by the benefits for dependents.

Estimating the cost in another way:

It costs over $400,000 for public administration under the accident compensation law of New York. The proponents of compulsory health insurance tell us that, as a factor in producing dependency, sickness is to accidents as 6½ to 1 ("Brief for Health Insurance," p. 179). Consequently health insurance would have to deal with about 6½ times as many claims as accident insurance, and presumptively would require about 6½ times as much administration. Consequently, to administer the health insurance as thoroughly as New York has been administering compensation insurance, would probably cost the state about $2,600,000 a year.

It is suspicious that Mr. Lynch occupies a position that would give him a hand in distributing the political jobs that compulsory health insurance would create. Rightly has an observer of German experience protested: "I am afraid" compulsory health insurance "would be a dangerous weapon in the hands of our spoils politicians through the state machinery that would have to be established to run health insurance." ("Further Objections to Compulsory Health Insurance," by Edward H. Ochsner, M.D., p. 11.)

"The cash and other benefits provided by health insurance are not bestowed or given; they are paid for in accordance with actuarial practice by those who are

responsible for the conditions that occasion the need for benefits. They are not 'relief' any more than compensation for accidents is 'relief.' Especially is this true in a governmental system of health insurance where employers, employees and public maintain and administer the funds."

(Public Health Bulletin No. 76, by Warren and Sydenstricker, p. 64.)

This is pure demagogism.

If the insurance were maintained entirely by the insured contributors (employers perhaps included) and the contributions were scaled in proportion to the risks, etc., "in accordance with actuarial practice," then nothing might be "bestowed or given." But where the taxpayers' money is used for the benefit of the insured or where the infirm, the sickly and the shirkers are insured at less than cost at the expense of the healthy and industrious, then a donation essentially indistinguishable from poor relief is "bestowed or given." All the European sickness insurance laws (including the voluntary insurance laws of France, Denmark and Sweden) are and are generally recognized to be measures of poor relief—or charity; (cf. quotations from Brend and Price Collier, *supra,* pp. 7 and 10). And it is a common point of criticism that "nothing is gained by disguising that charity under a false name"; (Colson, *infra,* p. 40).

It is significant in this connection that within the last few months a Ministry of Health has been established for England and Wales, to which the supreme authority in all matters of National Health Insurance has been transferred, in combination with charge of the administration of certain of the Poor Laws; (Monthly Labor Review, August, 1919, p. 227). Thereby health insurance is classed and co-ordinated with poor relief.

Moreover, under the British National Health Insurance, there never has been any medical benefit in Ireland, the needed medical service being supplied by the poor law.

Malingering would be negligible in a governmental or compulsory system of health insurance.

(James M. Lynch, Hearing on Davenport Bill, March 19, 1919. Public Health Bulletin No. 76, by Warren and

Sydenstricker, p. 63. Report of Ohio Health and Old Age Insurance Commission, p. 171.)

That assumption is directly contrary to experience.

In Germany, simulation, malingering and pension hysteria, formerly unknown to medical men, have, since the introduction of social insurance, become a regular epidemic. Sickness insurance, in particular, "is frequently made use of as a way of insurance against unemployment." ("Undesirable Results of German Social Legislation," by Ludwig Bernhard, Professor at the University of Berlin, pp. 61-63; "The Future of Social Policy in Germany," by same, pp. 6-7; "Further Objections to Compulsory Health Insurance," by Dr. Edward H. Ochsner, p. 9.)

"The hospitals [in Germany] are full of malingerers." "I can say that there is a class that fill the hospitals in Germany, the lowest and most degraded type of beggar and malingerer there is." (Dr. Harry R. Gaylord, Hearing on Davenport Bill, March 19, 1919.)

"In the Leipsig Communal Sick Fund the evil of malingering reached such alarming proportions some years ago that special investigators or home visitors were employed for the purpose of ascertaining the true condition of the patients. During 1914, when the affairs of the fund were but slightly affected by the war, out of 10,447 patients in receipt of pecuniary support on account of alleged incapacity, 5,542, or 53 per cent, were easily ascertained to be fully qualified to return to work, and 571, or 5.5 per cent, additional were found to be in a condition in which they were capable of returning to work and were ordered to do so within the current week for which support was being paid." ("More Facts and Fallacies of Compulsory Health Insurance," by F. L. Hoffman, p. 17.)

"The report of the Communal Sick Fund for the city of Koenigsberg, in East Prussia, for the year 1917, reveals in full detail the scandalous practices of physicians issuing certificates to patients never seen and filling out prescriptions or meeting requests for medical or other supplies obtainable through drug stores without any obvious medical necessity therefor whatever. * * * In lamentable contrast, the more serious cases did not receive proper attention, and even cases of insipient lung diseases were treated in a manner bordering perilously near to malpractice. * * * Under such circumstances it is not a matter of surprise that out of 2,730 special cases of sickness investigated, 782, or 28.6 per cent, were found entirely fit to return to work. Further investigations disclosed an additional 684, or 25.1 per cent, able to return to work, leaving only 1,264, or 46.3 per cent, as really entitled to sick pay and medical treatment." (Failure of German Compulsory Health Insurance—A War Revelation," by F. L. Hoffman, pp. 17-19.)

Referring to the effects of the British health insurance act in general, Sir John Collie remarks that on the basis of available statistics it is self-evident "that thousands of employees who should be at work successfully claim 'sick pay'." (Hoffman, "More Facts and Fallacies of Compulsory Health Insurance," p. 51.)

> "In one large Society, in six months, 12,375 members in possession of certificates of incapacity were requested to attend for examination by the Society's permanent medical referees, as a result of which 1,375 declared off the funds voluntarily; 1,795 failed to attend for examination; and 3,186 out of the 9,209 examined were declared 'capable of work' by the referees." ("Health and the State," by Wm. A. Brend, Chap. VII.)

According to a report made to the County of Ayrshire Insurance Committee, based upon investigations made by medical referees, the effect of National Health Insurance in that community has been that "of the persons who were examined over 39 per cent were found fit to work, and if those who resumed work, rather than go before the medical referee be included, the number who were found fit was increased to over 47 per cent. In other words, nearly one-half were found fit for work." (National Health Insurance Gazette, March 9, 1918; Hoffman, "More Facts and Fallacies of Compulsory Health Insurance," p. 40.)

From observations of experience such as just referred to the eminent French sociologist, Colson, deduces that bureaucratic health insurance is impracticable in a democratic state. However, he concludes: "Insurance against the wage loss and expenses entailed by sickness, which does not provide high benefits, may be efficaciously administered by small mutuals, whose members know each other, readily watch each other and exclude all malingerers. It is true that this form, which is incompatible with compulsion, excludes those unfortunates whose health permits only intermittent labor; but when sickness is an habitual condition and not a risk, insurance can no longer be applied to it. Charity alone can provide for wants resulting therefrom; and no advantage is gained by disguising that charity under a false name." ("Organisme Economique et Désordre Sociale;" by C. Colson, Member of the Institute, p. 162.)

Most employers opposed the enactment of compensation laws," and their opposition to health insurance is equally unmeritorious.

(F. Spencer Baldwin, N. Y. Tribune, Sunday, January 26, 1919.)

> "But most employers did *not* oppose the enactment of compensation laws. In New York, for instance, employers generally favored the original Wainwright-Phillips bills. All that employers opposed was the movement in favor of state insurance monopolies. This aspersion upon employers is not warranted nor in accord with facts as shown by the records of the Workmen's Compensation Department of The National Civic Federation, where employers and representatives of labor, beginning in 1908, worked together, always favoring some equitable form of workmen's compensation holding the industry liable."—The National Civic Federation Review, Feb. 15, 1919.

Under the Standard Bill the duties of the Commission would be 'largely judicial and supervisory, the administrative functions being chiefly carried on by the various local or trade funds'.

(John B. Andrews, Bulletin 212, U. S. Bureau of Labor Statistics, p. 554.)

Under the Mills Bill the administration is localized in each district.

(J. P. Chamberlain, Hearing on Mills Bill, March 7, 1917.)

Under the Davenport Bill the insurance funds would be run entirely by the workers and employers themselves.

(Senator Davenport, N. Y. Senate, April 10, 1919.)

The foregoing are misstatements hiding an ugly feature of the health insurance measures in this country. Under each of these bills the members of a fund would, it is true, bear the burden of the work of local administration, but largely as servants of a State Commission and subject to its direction and control. They would have nothing to say about the selection of members. A large proportion of their administrative acts would be subject to the discretionary approval of the Commission. And their remaining powers would be subject to such limitations as provided by the constitutions of their respective funds, *and such constitutions would contain such limitations as the Commission might choose to require.* And, as if that were not not enough, under the Mills and Davenport Bills, any fund not ad-

ministered with sufficient subserviency to suit the Commission, could, at any time, in the Commission's discretion, be broken up, and its membership distributed among other funds. (See Davenport Bill [Print No. 1811] §§ 51, 52, 54, 56; Mills Bill [Print No. 236, 1916], §§ 32, 34, 36, 46; Standard Bill, §§ 26, 28, 37.)

In other words these bills did *not* provide for "home rule" or "democratic management," but, on the contrary, for extreme bureaucratic feudalism—extreme because even the German statutes give the "sick funds" some definite rights as against the state bureaucracy, whereas these bills did not. It is true that under any one of these measures the Commission *might* allow the insurance funds some fair degree of self-management. But the chance is slight, for as Grant Hamilton (member of Legislative Committee, American Federation of Labor), referring to the Standard Bill, observed (Bulletin No. 212, U. S. Bureau of Labor Statistics, p. 567): "The proposed measures would build up a bureaucracy that would have some degree of control or authority over all the workers of the state. It is in the nature of government that when even a slight degree of power is delegated, the natural tendency is to increase that power and authority."

"I understand and I think it is part of the tactics of the opposition to prevent—I know it, in fact—a careful study of this important measure" * * * "The medical men, * * , as their official reports show, are opposed to having any study of this subject."

(John B. Andrews, Hearing on Mills Bill, March 26, 1918.)

This accusation is exactly the reverse of the truth. The proponents of this measure seek to jam it through without opportunity for the public to study and learn the truth as to the experience cited in its favor. On the other hand, its opponents have and are studying the subject. The National Civic Federation had a Committee of Inquiry abroad in the summer of 1914; but its investigations were halted by the war. That Committee reported in favor of a suspense of judgment until further investigations could be made. Now that the war is over The National Civic Federation has another Committee on Foreign Investiga-

tion studying this subject. We want the subject studied. The proponents of compulsory insurance do not.

Commissions in New Jersey, Massachusetts and California have reported in favor of Compulsory Health Insurance.

(James M. Lynch, Feb. 6, 1918.)

This statement is correct, but:—

Whereas in Massachusetts the first Commission reported in favor of compulsory health insurance, a second Commission appointed to study further into the subject, has reported adversely, and several attempts to incorporate provisions for compulsory insurance at the recent Constitutional convention failed.

Whereas two Commissions in California have reported in favor of compulsory health insurance, a proposition to amend the State Constitution to permit such insurance has been defeated by the people, by a vote of 358,324 to 133,858.

Other State Commissions reporting explicitly in favor of or against the immediate adoption of compulsory health insurance, to date, are:

Favorable:—New Jersey and Ohio.

Unfavorable:—Connecticut, Wisconsin and Illinois.

A Commission in Pennsylvania has also reported, recommending no immediate legislation but that the problem be further studied and investigated.

COMMITTEE ON CONSTRUCTIVE PLAN
SOCIAL INSURANCE DEPARTMENT
THE NATIONAL CIVIC FEDERATION

DR. ALVAH H. DOTY, *Chairman*:
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HUMAN VICES CAUSE DISEASE

Dr. Charles W. Eliot of Harvard University says Elimination of Alcoholism and Venereal Disease will Leave Minimum of Extreme Poverty

There must always be wide differences in respect to material possessions among the numerous individuals that compose society; because the capacity of different individuals in respect to acquiring and keeping possessions is so infinitely various; but distressing or degrading poverty should cease to exist in democratic society.

The causes of the extreme poverty which exists in many, and indeed most, civilized communities, are, first ignorance, stupidity and laziness, and secondly, sickness and premature death or disability, partly due to untword accident, down-right misfortune, or irresistible calamity, but chiefly to human vices and the diseases consequent thereon, and to the multifarious wrongdoings of cruel or reckless men toward women. Far the most effective means of preventing poverty is to banish alcholism and venereal diseases.

This prevention is one of the common tasks of capital and labor, aided by all the forces of modern medicine and sanitation and of the new education, and inspired by the humane sentiments of modern Judaism and Christianity alike.

These monstrous evils being treated and prevented, there will remain a comparatively small number of cases of extreme poverty due to misfortune or calamity, such as the death or disability of the bread-winner, or the invalidism of the mother of a family. These cases will have to be dealt with in the immediate future, as they have been in the recent past, by the

combined forces of charity and good-will in the self-supporting portion of society. That development of good-will should prompt common action by the relatively rich, the relatively poor, and the great mass of the population who live comfortably between these small minorities. A better way of dealing with these cases of misfortune may be developed in the future, as democratic society assumes more and more the sanitary control of all classes in the community, and undertakes the relief of distress, the sights and sounds of which interfere with public happiness in all social layers.

Clearly there is no more legitimate expenditure of public money in a democracy than expenditure on public health and sanitation, and the suppression of destructive social practices.

A good augury for this better future is found in the success of the widespread movement called the Red Cross, a popular agency for the relief of all sorts of distress and suffering, which gained great power during the war, a power likely to carry over on a large scale into peace times.

CHARLES W. ELIOT.

Asticou, Me., Sept. 17, 1919.

(This extract from Dr. Eliot's address inserted in this booklet by the New York League for Americanism.)

Wisconsin and Illinois Commissions Opposed to Compulsory Health Insurance

The report of the Special Committee on Social Insurance, submitted its report to the Wisconsin legislature on January 1st, 1919. The report says, "it would seem wise to hold that **the expenditure of $1,000,000 for preventive measures will serve the cause of public health in the state more effectively than the expenditure of twenty times that sum in an experimental curative.**"

The report advocates "more liberal appropriations for the state board of health," full time county health officers, physical and medical examinations in public schools and other educational institutions, the establishment of district nursing centers and a bureau of child welfare, financial community support of hospitals and sanatoria, the adoption of a comprehensive housing plan and the inclusion of occupational diseases in the workmen's compensation act."

The report is signed by four of the five members of the Commission. The fifth member, a Milwaukee Socialist, filed a minority report favoring compulsory health insurance.

Plan Not Favored in Illinois

After an exhaustive review of the situation in Illinois, the Commission of that state asks, "What has Compulsory Health Insurance accomplished in those countries where it has been adopted?" Proceeding to answer its own question, the Commission says:

"There is no evidence that compulsory insurance has resulted in an improvement in health. The death rate and morbidity statistics of the countries which do not have compulsory health insurance show a decline fully equal to the countries which have such systems. The explanation is probably found in the fact that **compensation for wage losses caused by sickness has a very minor effect upon health,** . . . . that the advance in medical science, public health control, educational movements for better personal hygiene, and the many factors which have entered into the prevention of disease, have

operated with equal if not greater vigor in those countries which do not have compulsory health insurance. **It seems clear that compulsory health insurance is not an important factor in the prevention of disease or in the conservation of health.** . . . .

"Our investigations in Chicago show that **a large percentage of the cases of poverty caused or accompanied by sickness would not be avoided by compulsory health insurance of the kind that has been proposed.** They show, also, that it would not prevent as much as a fourth of the cases of dependency upon charitable agencies for material relief." . . . .

"**In our opinion nearly all disease is traceable in its ultimate causation to the individual,** through the violation, through lack of understanding or willfulness, of the well recognized laws of health or hygiene; the refusal to use the facilities for the correction of physical conditions which will become disabling; excesses in personal conduct; and a most important factor, the inherent limitations of vitality which vary in individuals from those merely able to keep alive the spark of life to those who are of the most robust and vigorous type.

"Compensation for occupational diseases should be provided by the employer in whose employment the disease is incurred. Occupational disease is a hazard peculiar to the industry concerned. It is caused by that industry. With non-occupational diseases the case is different. **Industry neither causes such diseases nor does it benefit from the insurance against the losses caused by them.** The facts should be fairly met. If there is no rational basis for a contribution by the employer the requirement that he shall contribute is in effect an increase in the wage scale established by law.

"Ten cents per day will provide the wage-earner with all the insurance needed. With few exceptions the wage-earners can meet the cost if they desire.

"**Likewise the burden proposed to be placed upon the state and all employers for part payment of the cost of insurance for all diseases would compel the state and employers to pay for that which they did not cause and for which they are not responsible in any real or tangible sense. The proposal for proportional**

contribution is based in its ultimate analysis solely upon expediency.

"It is the expediency of obtaining for the principle of compulsion the support of the immediate beneficiaries by the appeal that the cost to them will be in part borne by the state and the employer; the expediency of compelling a financial interest in the system so that its machinery will have the alleged benefit of an enlarged judgment as well as the use of existing business organization for the collection of premiums through the employer.

"**The cost of compulsory health insurance in Illinois would be between $50,000,000 and $60,000,000 annually,** conservatively estimated on the basis of the investigation of sickness among wage-earners and the attendant costs. * * * * If existing health insurance carriers were used and continued their present amount of insurance, there would remain between $40,000,000 and $50,000,000 to be carried in state or local funds established. **This would inevitably lead to political control and management.**

"Society does not consider making it a legal requirement that the individual shall each pay day save a portion of his earnings to provide against the almost certainty of unemployment, or that he shall have life insurance to provide against the certainty of death. **Not until the freedom of the individual threatens society in a direct and immediate way, is it considered a sound policy to compel the action of the individual.**

"Compulsion by law has frequently resulted in conduct beneficial when considered solely as a physical betterment. But guardianship by government of the normal adult man or woman has sooner or later either ended in disaster for the government that attempted it or in the servility of those so governed. Hence unless society is affected in an important way, the conduct of the individual should be determined by his own understanding and not by law or government."

In conclusion the report states, "**It is the opinion of the Commission that its findings do not justify it in recommending Compulsory Health Insurance.**"

(These extracts inserted in this pamphlet by the New York League for Americanism.)

END OF
TITLE